

Message Text

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ACTION EB-07

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 2868

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E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK CREDITORS AGREEMENT

REF: SAN JOSE 702

PASS EXIMBANK

1. SUMMARY. REPRESENTATIVES OF THREE AMERICAN CREDITOR BANKS OF THE INSOLVENT LATIN AMERICAN BANK BELIEVE THAT THE COSTA RICAN CENTRAL BANK IS NOT GOING TO HONOR ITS COMMITMENTS TO THE CREDITOR BANKS UNLESS SOME FURTHER ACTION IS TAKEN. THEY FEAR THAT THE CENTRAL BANK IS ATTEMPTING TO MAKE SEPARATE SETTLEMENTS BILATERALLY WITH SOME OF THE MOST IMPORTANT CREDITOR BANKS AND WITH THE EXIMBANK, WITH THE INTENTION OF LEAVING OTHER LESS IMPORTANT CREDITOR BANKS OUT IN THE COLD. THEY HAVE COMPLAINED TO THE CENTRAL BANK ABOUT EXCESSIVE DELAYS AND HAVE SET A DEADLINE OF FEBRUARY 16 FOR THE CENTRAL BANK TO HONOR ITS COMMITMENTS, FAILING WHICH SOME OR ALL THE CREDITOR BANKS ARE LIKELY TO TAKE INDEPENDENT LEGAL ACTION.

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2. ACTION REQUESTED: THE THREE CREDITOR BANKS HAVE ASKED

THAT THE EXIMBANK CONTACT BERNAL JIMENEZ, PRESIDENT OF THE COSTA RICAN CENTRAL BANK, TO SUPPORT THEIR POSITION PRIOR TO EXPIRY OF THE FEBRUARY 16 DEADLINE. SUCH AN INTERVENTION WOULD BE BASED ON THE CONCEPT THAT THE CENTRAL BANK SHOULD HONOR ITS COMMITMENTS TO THE EXIMBANK AND TO THE OTHER AMERICAN CREDITOR BANKS. IF EXIM WISHES TO ACT, EMBASSY WOULD RECOMMEND THAT THE ACTION BE CARRIED OUT BY MEANS OF A TELEPHONE CALL TO JIMENEZ FROM AN OFFICIAL OF SUITABLE RANK OF THE EXIMBANK. END SUMMARY.

3. EMBASSY ECONOMIC OFFICER WAS VISITED FEBRUARY 12 BY REPRESENTATIVES OF THREE OF THE AMERICAN CREDITOR BANKS OF THE INSOLVENT LATIN AMERICAN BANK. THEY WERE ERIC B. MOORE OF HARTFORD NATIONAL BANK AND TRUST CO., CHARLES FALVEY OF THE AMERICAN FLETCHER BANK OF INDIANAPOLIS, AND GERALD LILOIA OF THE FIDELITY UNION BANK. THEIR VISIT WAS A FOLLOW-UP TO AN EARLIER VISIT TO THE AMBASSADOR BY MR. MOORE (REFTEL).

4. SINCE MEETING WITH THE AMBASSADOR, MR. MOORE AND THE OTHER BANK REPRESENTATIVES HAVE HAD ADDITIONAL CONVERSATIONS WITH COSTA RICAN GOVERNMENT OFFICIALS, INCLUDING VICE PRESIDENT CASTILLO AND FORMER PRESIDENT FIGUERES. THESE CONVERSATIONS HAVE LED THEM TO BELIEVE THAT THE CENTRAL BANK INDEED DOES NOT INTEND TO HONOR ITS COMMITMENTS FOR THE NATIONAL COMMERCIAL BANKS TO TAKE OVER SOME \$13 MILLION IN ASSETS OF THE L.A.B. THEY HAVE WRITTEN A LETTER DESCRIBING THE PROBLEM, AS RECOMMENDED BY AMBASSADOR AND HAVE SENT THE LETTER TO BERNAL JIMENEZ WITH COPIES TO VICE PRESIDENT CASTILLO AND AMBASSADOR TODMAN.

5. THE LETTER REFERS TO THE LACK OF PROGRESS IN HONORING THE CENTRAL BANK'S COMMITMENTS AND THE LIKELIHOOD THAT IF THE CENTRAL BANK DOES NOT HONOR ITS COMMITMENTS BY THE DESIGNATED DATE OF FEBRUARY 16 THAT ONE OR MORE CREDITOR BANKS WOULD TAKE INDEPENDENT LEGAL ACTION WHICH WOULD DISRUPT THE SCHEME OF ARRANGEMENT. THE LETTER ASKS FOR A RESPONSE BY NOON ON FEBRUARY 13 IN LIMITED OFFICIAL USE

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ORDER THAT THE THREE REPRESENTATIVES CAN INFORM ALL OF THE CREDITOR BANKS OF THE STATUS OF THE MATTER PRIOR TO THE FEBRUARY 16 DESIGNATED CLOSING DATE IN THE SCHEME OF ARRANGEMENT.

6. THE THREE CREDITOR BANK REPRESENTATIVES, WHO WILL ALSO BE CONTACTING THE EXIMBANK DIRECTLY, ASK THAT THE EXIMBANK CONTACT THE PRESIDENT OF THE CENTRAL BANK OF

COSTA RICA, BERNAL JIMENEZ, ON FEBRUARY 13 TO SUPPORT THE POSITION OF THE CREDITOR BANKS AND TO URGE THAT THE CENTRAL BANK HONOR ITS COMMITMENTS. THEY ASK IN PARTICULAR THAT THREE POINTS BE MADE: 1) THAT THE CENTRAL BANKS HAS A FIRM COMMITMENT TO THE CREDITOR BANKS, INCLUDING THE EXIMBANK; 2) THAT THE EXIMBANK, LIKE OTHER CREDITORS, EXPECTS THE CENTRAL BANK TO HONOR THAT COMMITMENT WITHOUT FURTHER DELAY; AND 3) THAT THE ONLY WAY TO SETTLE THIS MATTER IS TO DEAL WITH ALL OF THE CREDITOR BANKS THROUGH THE COMMITTEE OF INTERVENTION WHICH WAS SET UP FOR THAT PURPOSE AND THAT NO OTHER ARRANGEMENTS SUCH AS BILATERAL DEALS WITH CERTAIN CREDITOR INSTITUTIONS WOULD BE ACCEPTABLE.

7. THE THREE CREDITOR BANKS WHO SPOKE TO US CONSIDER THE MATTER OF TIMING TO BE IMPORTANT. FURTHER DELAY RISKS FURTHER LOSS OF ASSETS AND ADDITIONAL PAYMENTS TO COSTA RICA'S CERTIFICATE OF DEPOSIT HOLDERS WHO BY MARCH 30TH WILL HAVE RECEIVED 75 PERCENT OF THE AMOUNT DUE THEM, DESPITE WHAT IS NOW BELIEVED TO BE THEIR LACK OF LEGAL STANDING AS PRIORITY CREDITORS.

8. IN ORDER TO MAKE POSSIBLE A RAPID SETTLEMENT OF THIS MATTER BY FEBRUARY 16 DATE SPECIFIED IN THE SCHEME OF ARRANGEMENT, THE THREE CREDITOR BANKS ARE PROPOSING THAT THE CENTRAL BANK HONOR ITS COMMITMENT BY TAKING OVER THE \$13 MILLION IN L.A.B. ASSETS ITSELF, RATHER THAN AWAIT ACTION BY THE RELUCTANT STATE COMMERCIAL BANKS.
TODMAN

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